USDA UNITED STATES DEPARTMENT OF AGRICULTURE

# Processing Bulk Poultry Under Substitution/Standard Yield

## Overview

Recipient agencies utilize donated raw bulk chicken and turkey commodities by contracting with further processors to convert the commodity into desired end items. This program presents several administrative challenges to States, recipients, and processors. Substitution allows processors to control reprocessed commodity production and allows recipient agencies to predict delivery of end products. Absent approval to substitute, when a USDA vendor delivers a load of bulk poultry to a processor, it is required to be processed and delivered to the State or recipient agency as a complete unit. Being obligated to take an entire load(s) of finished product at one time, recipient agencies receive product even when they did not need it, escalating storage costs. Other States could potential receive no product until late in the year when USDA finally purchased "their chicken." Storage costs were exacerbated when product was delivered near the end of a school year, forcing States or recipient agencies to hold it over the summer months. Substitution eliminates these and other problems.

### Substitution of Delivery Orders

In the simplest form of substitution, a load purchased for one State can be used to fill a scheduled but unfulfilled delivery order for a second State. For example, USDA has purchased a load of chicken for Nebraska and delivered it to the processor to be manufactured into chicken fingers. The processor knows that Nebraska has an ample supply of chicken fingers but Iowa, whose load of bulk chicken USDA has not yet purchased, is out of chicken fingers. Under substitution, the processor turns the Nebraska bulk load into chicken fingers and ships them to Iowa. When the Iowa bulk product arrives it can be processed for Nebraska.

Alternatively, the processor could split the Nebraska load between Iowa and Nebraska. Later. when USDA purchases the Iowa load of bulk chicken. it is also split. This means neither State ever has to accept a full load of chicken fingers at one time. Taken further, the processor could split a single delivery order among several States.

### Substitution of Commercial Product

At the next level, substitution permits the processor to substitute USDA purchased raw poultry with equivalent commercial product. The commercial product must meet requirements of the USDA specification and also be certified by AMS. This allows a processor to spread out-processing of the USDA commodity (or commercial equivalent) over a period of time. They might actually use the USDA load for commercial sales; and later using commercial equivalent, produce finished certified items, as recipients need it. Some processors have elected to certify all production of certain items, literally allowing recipients to get one box at a time through commercial distributors.

## Standard Yields

With or without substitution, FNS regulations require that processors account for every pound of commodity and that the total pounds purchased be delivered to recipients, i.e. not "diverted" to commercial sales. This requires processors to guarantee a minimum yield to the recipient State through an end product data schedule and to return to the State anything in excess of the minimum yield since all finished product derived from commodities must be returned to the recipient agency. Since manufacturers were loath to guarantee a yield they could not produce. States always received more than the minimum. A State could not plan distribution to recipients because they would not know how much finished product was available until they received the product from the processor. And, obviously, the cases of finished product varied with each load. This creates an administrative burden on USDA, the processor, the State distributing agency, and recipient agencies.

Working with the industry, AMS and FNS established standard raw meat yields for each load of poultry. These yields are set higher than the most efficient processors are currently achieving. By using a standard yield for deboned meat, the plant and AMS grader do not need to track every poultry carcass through the plant.

Using a standard meat block yield and a processor's finished product formulation, based on the standard yield end product data schedule, everyone knows the exact number of cases of product that will be returned for every load of bulk poultry. This has resulted in menu and inventory efficiencies and also increased the types of products available to recipient agencies. By specifying the number of cases to be returned, the processor simply supplies product until that number is reached, eliminating the intensive tracking and record keeping burden of product throughout the production process associated with the old system.

Standard yield could be used without substitution. However, standard yield combined with substitution allows a processor to blend commodity processing into its normal commercial operation because the processor can substitute equivalent commercial meat, providing the AMS grader has certified it, for meat that would be derived from the donated commodity.

## Other Benefits

The greatest improvement resulting from substitution and standard yield is the ability to provide product when the recipient agency requires it, in desired quantities. Substitution allows processors to work with distributors and recipients to provide the finished product on the recipient's schedule, making "just-in-time" deliveries, increasing operational efficiency, and substantially reducing storage costs. Reduced storage time also enhances product quality and safety. Standard yields also takes the guesswork out of production and accounting for the bulk commodity. States can anticipate allocations of product and school districts can better plan their budgets, purchase orders, and menus.

For a list of processors participating in the National Processing Pilot Program and that have approved substitution and standard yield processing systems, please go to the Food Distribution Program website at: www.fns.usda.gov/fdd/programs/state/nplist.htm.